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SIPDIS

USDOC FOR 532/OEA/LHINES/DFARROW
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR WILLIAM
ZARIT
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A
TAGS: [BMGT](#) [BEXP](#) [HK](#) [ETRD](#) [ETTC](#)
SUBJECT: EXTRANCHECK: PRE-LICENSE CHECK: TRONIC
TECHNOLOGY NETWORK (HK) CO. LTD.

REF: A) USDOC 00754

1.Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO), accompanied by Commercial Assistant, Sandy Lai, conducted a pre-license check (PLC) at Tronic Technology Network (HK) Co. Ltd., Unit 2-3 Hope Sea Industrial Centre No. 22-24, Lam Hing Street, Kowloon Bay, Hong Kong (Tronic). The items in question are two pulse generators, valued at USD 35,900. The export control classification number (ECCN) for these items is 3A230. Items classified as 3A230 are controlled for nuclear nonproliferation reasons and require a license for export to Hong Kong. The license applicant is El-Pax, Inc. of Burlingame, California (El-Pax). The Hong Kong purchaser of the items is Goodwell Microelectronics Limited (Goodwell) while Tronic is listed on the license application as the ultimate consignee.

13. According to the Hong Kong Companies Registry, Tronic has been in existence since April of 2000 and has only nominal paid-in capital. Directors of Tronic are listed as mainland Chinese national Zugang Lai as well as Hong Kong identity card holder Ha Lo. Collocated at the same address are three additional companies, China Oriental Express Company Limited (established in 1994)(China Oriental), Dragon Well Transportation Limited (established in 1998)(Dragon Well), Oriental Resource International Development Company Limited (established in 1997) (Oriental Resource). Ms. Lo is a director of these three additional companies as is Hong Kong identity card holder Sheung Wing Hai. Oriental Resource has one additional director, Hong Kong identity card holder, Chi Kong Lau. All companies have only nominal paid-in share capital.

14. Ms. Lo is listed in the Companies Registry as the director in several additional companies in Hong Kong including Action Technology (HK) Company Limited, China Dragon Well Development (HK) Limited (dissolved), Gori Electronic (HK) Company Limited, Joint Express Transportation Limited and Konge Industrial Development Company Limited (dissolved). Chi Kong Lau is listed in the Companies Registry as

director in Amethyst Kingdom Company Limited, Huge Loyal Investment Limited and June Just Company Limited.

¶15. According to the Companies Registry, Goodwell (Tronic's supplier and buyer from El-Pax) has nominal paid-in capital. Its directors are Hui Yi Li and Jian Heng Li, both mainland Chinese nationals. Goodwell is collocated with Fiaco Microelectronics (HK) Limited. A google search reveals that Fiaco is apparently the parent company of El-Pax (the U.S. exporter and export license applicant). A review of the Tronic to Goodwell fax reveals that it is addressed to Ms. Sindy Lau who is also listed as the contact person for Fiaco (at the fax number listed for Fiaco at www.fiaco.com).

¶16. The ECO, accompanied by Commercial Assistant Sandy Lai, visited Tronic at the address referenced above on March 5, 2007 and met with Ms. Ha (Phoebe) Lo. Signage outside of the building lists the tenants of the particular unit as China Oriental and Dragon Well but makes no reference to Tronic. Ms. Lo provided background on Tronic and its business and the proposed end-use of the items. She stated that Tronic has two shareholders and four staff persons and is involved primarily in mobile phone accessories trading as well as trading in the area of cables and modems. Its clients are located in Hong Kong and mainland China. Ms. Lo noted that shareholders in Tronic are also shareholders in other companies including Oriental Resource, Dragon Well and China Oriental (referenced above).

¶17. When asked about the proposed use of the items, Ms. Lo stated that they would be provided to Tronic's

client for IP TV cable testing. Ms. Lo did not have a copy of the contract with Tronic's client on hand. However, she did provide a copy of a fax dated December 15, 2006 to Goodwell that references an order for the items and Tronic's End-Use Certificate (dated November 25, 2006) and BIS-711 (Statement by Ultimate Consignee and Purchaser). In the BIS-711, attached to the fax, Tronic marked the applicable box relating to end-use stipulating that Tronic would be the user of the items. Tronic further stated on the form that the items would be used by Tronic in quality inspection of cable and that the nature of Tronic's business is "Research Etd." When later asked by phone why Tronic had elected not to mark the box stating that the items would be resold, Ms. Ho stated that at the time she completed the form, Tronic did not have a firm order in place. [ECO Comment: This explanation is not entirely credible since it is clear that it was never intended that Tronic use the item. As such, it would have been more appropriate to state the items were for resale, regardless of whether there was a firm order in place.]

¶18. By e-mail dated March 13, 2007, Ms. Ho stated that the Hong Kong customer for the items is Ipma Technology International Limited (HK) Co. (Ipma). On March 15, 2007, Ms. Ho provided a contract between Tronic and Ipma for the items dated December 12, ¶2006. It is worth noting that the sale price for this transaction is USD 50,473 while the sale price in the Goodwell to Tronic transaction is USD 43,890 and the value listed on the license application is USD 35,910. According to the Companies Registry, Ipma has been in existence since 2005 and has the equivalent of USD 500,000 paid-in share capital. Its director is Hong Kong identity card holder Man Bue Loong. More information on Ipma's broadband and telecommunications business can be found at www.ipmaco.com.

¶9. On March 26, 2007, Ms. Vicky Lee, Marketing Communication Officer of Ipma stated by phone that Ipma had not placed the order claimed by Tronic. Subsequently, on March 27, 2007, Ms. Josephine Or, Manager for Product Marketing of Ipma called to say that she was the more appropriate person to ascertain whether an order existed. On April 4, 2007, she stated that no such order existed.

¶10. The ECO recommends that this PLC of Tronic be considered Unfavorable.
Sakaue